

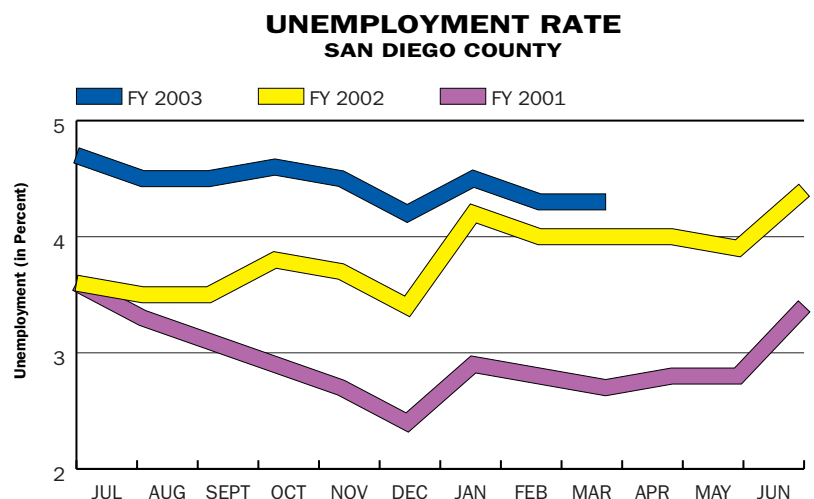
Economic Indicators

Growth in the City's General Fund revenues depends primarily on the state of the economy. When the economy is expanding rapidly, revenue growth is strong; when the economy slows, revenue growth declines. Given this relationship, key economic indicators, such as unemployment rates, housing starts and hotel occupancy rates are helpful in assessing current revenue trends, and how revenues might trend in the future. Although the City's revenues are most directly impacted by the local economy, trends in the State and national economies are also important since they affect such revenues as the Transient Occupancy Tax and Motor Vehicle License Fees.

As indicated in the following charts, the San Diego economy continued to rebound through the first several months of Fiscal Year 2003, with ten of the fifteen indicators showing positive trends. The U.S. economy should receive a positive boost following the success of the U.S. led military initiative in Iraq. San Diego's defense industry, which played a key role in the war effort, should realize post-conflict benefits, as the military replaces equipment used up during the war and expands those systems that proved their effectiveness. Other anticipated benefits include lower fuel prices, and a significant improvement in consumer confidence, which had fallen sharply before and during the conflict. In its recent mid-April forecast, Data Resources, Inc. forecasted the U.S. economy will expand moderately during the first half of calendar year 2003, before accelerating during the second half. While the outlook for the U.S. economy appears to be brightening, there are still some clouds hanging over California's economy. As noted in the UCLA Anderson Forecast, the State's budget deficit could create a drag on the State's recovery efforts during 2003. According to Economy.com's recent Regional Outlook forecast, San Diego, with its blend of defense and a regional "drive-to" tourism sector, should be a growth leader in the first half of 2003.

Labor Market Trends

The unemployment rate is a critical indicator of relative strength in the local economy. Reflecting impacts from the recent recession and the slow pace of the current recovery, San Diego County's unemployment rate averaged 4.5 percent during the first nine months of Fiscal Year 2003, compared with 3.7 percent during the same period in Fiscal Year 2002. San Diego's unemployment rate is still relatively very low compared with most other areas. As of March 2003, San Diego's unemployment rate was 4.3 percent, compared with 6.8 percent for California and 6.2 percent for the nation.



Nonagricultural wage and salary employment in San Diego County continued to grow through the first nine months of Fiscal Year 2003, albeit at a slower rate than in recent years, with average employment up by 7,900, compared with an increase of 16,100 during the same period in Fiscal Year 2002.

Financial Summary

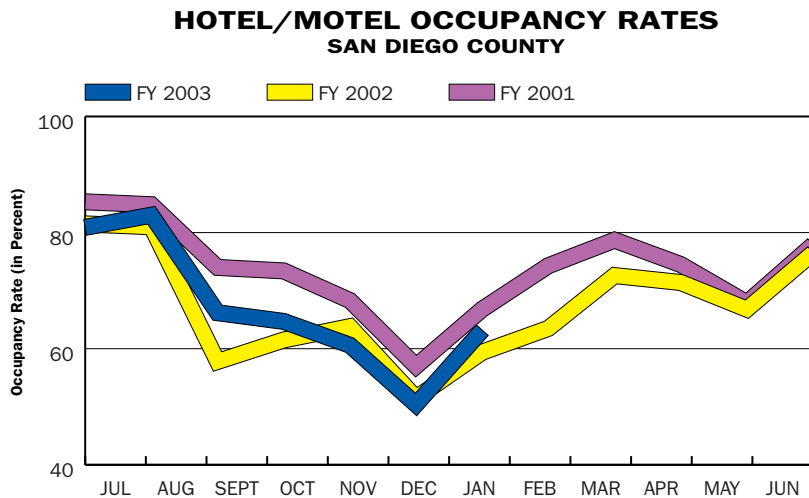
Economic Indicators

Manufacturing is the largest component of San Diego's economic base (approximately one-fourth of Gross Regional Product) and a catalyst for growth in other sectors of the economy. Manufacturing employment averaged 110,100 during the first nine months of Fiscal Year 2003, down by 6,400, following a decline of 5,500 during the first nine months of Fiscal Year 2002. The recent declines in manufacturing employment have been concentrated primarily in the audio and video equipment and electronic component sectors.

Construction, like manufacturing, is a major source of high wage employment that supports other sectors of the economy. Construction employment continued to grow into Fiscal Year 2003, with average employment up 1,000, following an increase of 3,400 jobs during the same period in Fiscal Year 2002.

The Help Wanted Index is an indicator of the hiring plans of local employers. The Index showed signs of stabilizing during the first half of Fiscal Year 2003, after falling sharply in Fiscal Year 2002. Through the first six months of Fiscal Year 2003, the average Index was down 3.3 percent, compared with a decline of 26.5 percent during the same period in Fiscal Year 2002.

Tourism

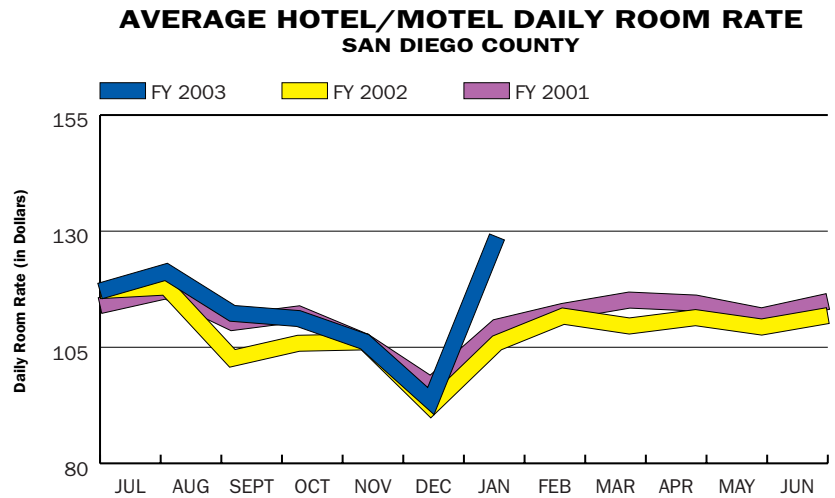


The trend in average occupancy rates at San Diego hotels and motels is an indicator of the potential growth in Transient Occupancy Tax (TOT) revenue. Despite a difficult economic environment, the San Diego hotel market showed positive growth during Fiscal Year 2003, out-performing almost all of the nation's other major hotel markets. Through the first seven months of Fiscal Year 2003, San Diego's average occupancy rate was 67.0 percent, compared with 65.2 percent over the same period in Fiscal Year 2002, and the third highest average occupancy rate among the top 25 hotel markets. The San Diego market continued to benefit from its strong "drive market" component, and received an added boost from the Super Bowl, which positively impacted both occupancy rates and room rates.

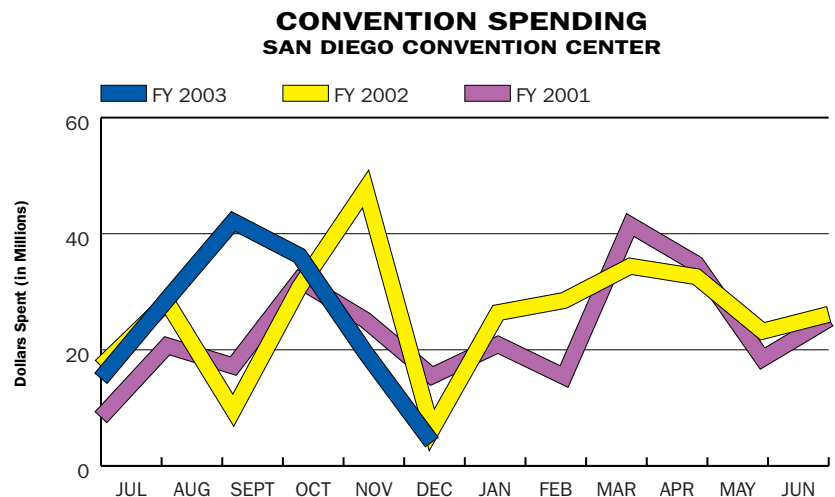
Financial Summary

Economic Indicators

The average daily room rate is another determinant of TOT revenue. While most major markets saw rates drop in Fiscal Year 2003, San Diego's rates were up by 5.6 percent through the first seven months.

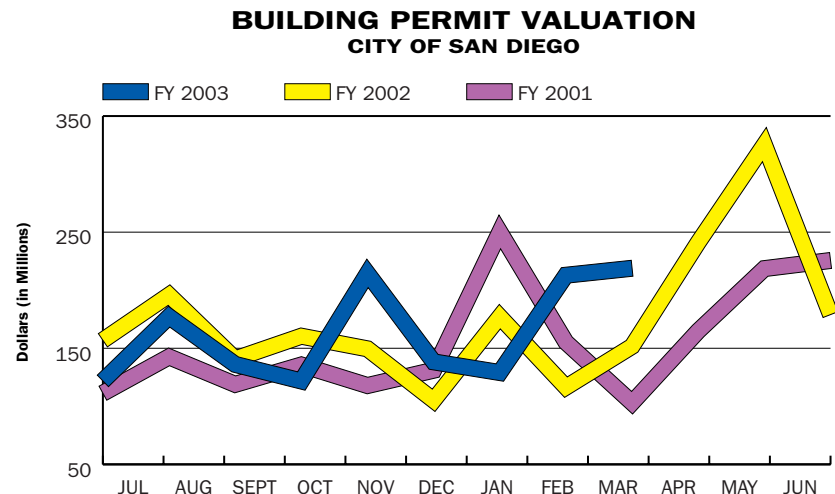


The hosting of conventions is a key factor in the long-term growth of San Diego's tourism industry. Despite the cyclical downturn in convention spending in the latter part of calendar 2002, total spending by delegates has increased by 4.3 percent through the first half of Fiscal Year 2003, following very strong growth of 17.5 percent during the same period in Fiscal Year 2002.



Construction Trends

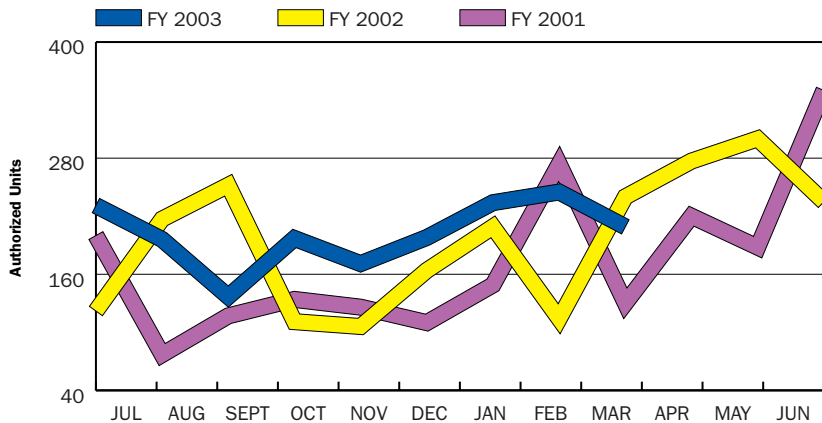
Total building permit valuation is an indicator of overall construction activity. Construction activity continued at a strong pace in Fiscal Year 2003, with total permit valuation through the first nine months at \$1.5 billion, up by 8.6 percent.



Financial Summary

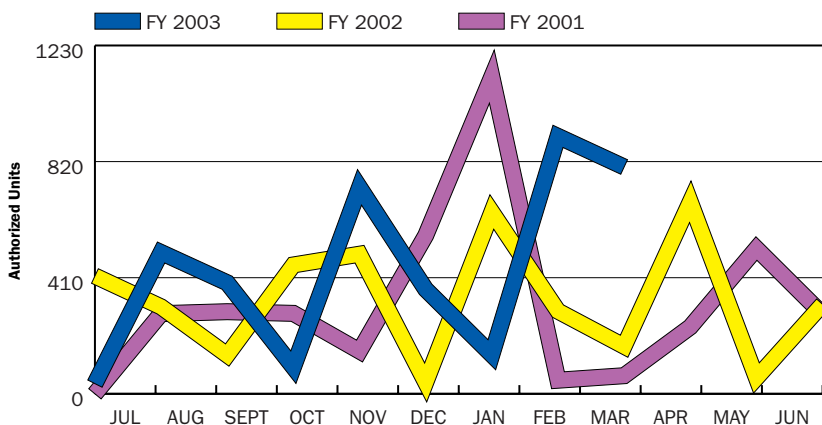
Economic Indicators

SINGLE-FAMILY UNITS AUTHORIZED CITY OF SAN DIEGO



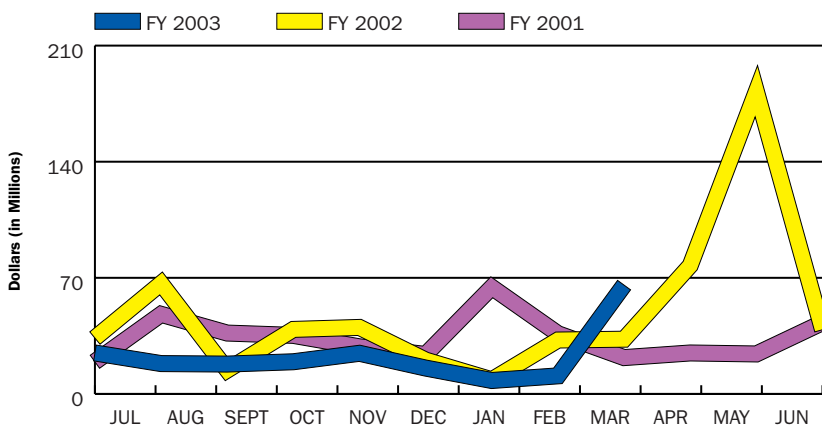
New residential construction is an indicator of trends in both the construction industry and in the overall economy. Permits were issued for 1,818 units through the first nine months of Fiscal Year 2003, up by 18.6 percent.

MULTI-FAMILY UNITS AUTHORIZED CITY OF SAN DIEGO



The volume of new multi-family units authorized is the other major component of residential activity. Multi-family unit construction continued at a very strong pace during the first nine months of Fiscal Year 2003, with a total of 3,967 units authorized, an increase of 34.5 percent.

COMMERCIAL PERMIT VALUATION CITY OF SAN DIEGO



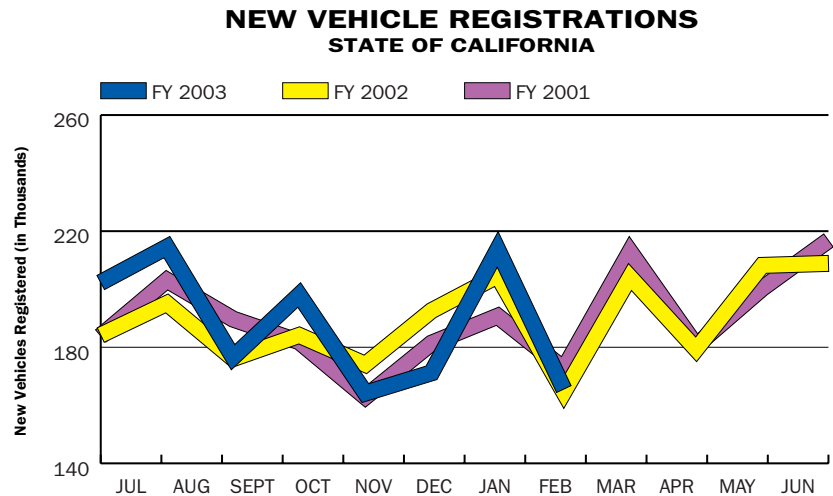
The total value of permits for commercial construction, including retail, office, and industrial buildings, is a key economic indicator of present and future economic conditions. With the market continuing to absorb space associated with projects that began in 2000 and 2001, the value of permits for new commercial construction was down 28.8 percent through the first nine months of Fiscal Year 2003. However, there has been a recent upturn in commercial permit valuation.

Financial Summary

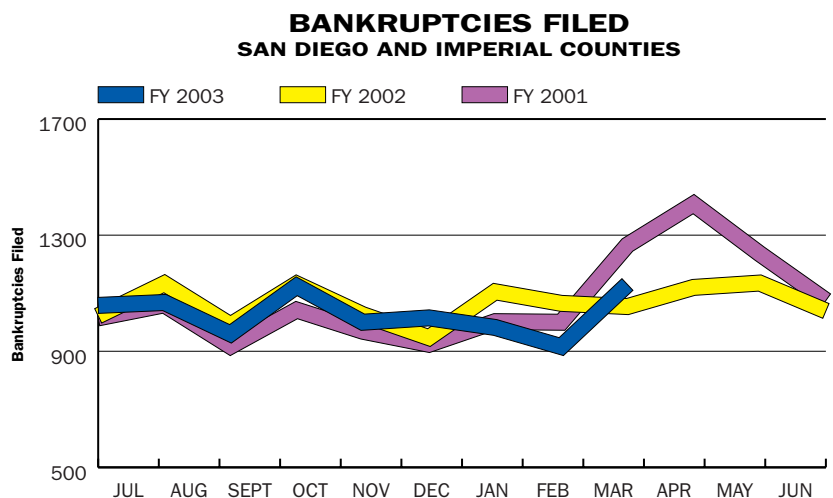
Economic Indicators

Other Indicators

The number of statewide new vehicle registrations is one of the factors determining the amount of Motor Vehicle License Fees (MVLFF), a major source of General Fund revenue. Through the first eight months of Fiscal Year 2003, registrations were up 2.1 percent, compared with an increase of 0.6 percent for the same period in Fiscal Year 2002.



Bankruptcy filings are another measure of economic well-being. Through the first nine months of Fiscal Year 2003, Bankruptcy filings were down 2.3 percent from the same period in Fiscal Year 2002, indicating that the overall economy remains relatively stable.



The number of new business licenses issued is an indicator of general business activity. New Business Licenses issued were down a modest 1.1 percent through the first nine months of Fiscal Year 2003, compared with a decline of 3.2 percent for the same period in Fiscal Year 2002.

